

**ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
FAIRFAX, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1995
AC# 3-JEH-J4**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 10, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Allendale County d/b/a John Edward Harter Nursing Center, for the contract periods beginning October 1, 1995 and for the twelve month cost report period ended September 30, 1994, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Allendale County d/b/a John Edward Harter Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Allendale County d/b/a John Edward Harter Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
September 10, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1995
AC# 3-JEH-J4

10/01/95-
09/30/96

Interim reimbursement rate (1)	\$90.02
Adjusted reimbursement rate	<u>80.90</u>
Decrease in reimbursement rate	\$ <u><u>9.12</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods October 1, 1995 Through September 30, 1996
 AC# 3-JEH-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.30	\$41.05	\$47.08	\$41.05
Dietary	<u>-</u>	<u>14.81</u>	<u>10.19</u>	<u>10.19</u>
Subtotal	<u>\$3.30</u>	55.86	57.27	51.24
Laundry/Housekeeping/Maint.	\$1.08	3.93	7.17	3.93
Administration & Med. Rec.	<u>-</u>	<u>7.67</u>	<u>7.58</u>	<u>7.58</u>
Subtotal	<u>\$1.08</u>	67.46	<u>\$72.02</u>	62.75
<u>Costs Not Subject to Standards:</u>				
Utilities		1.34		1.34
Special Services		.28		.28
Medical Supplies & Oxygen		3.37		3.37
Taxes and Insurance		.57		.57
Legal Fees		<u>.07</u>		<u>.07</u>
TOTAL		<u>\$73.09</u>		68.38
Inflation Factor (6.30%)				4.31
Cost of Capital				8.52
Cost of Capital Limitation				(1.81)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.08
Cost Incentive - For General Services and Dietary				3.30
Effect of \$1.50 Cap on Cost/Profit Incentives				<u>(2.88)</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$80.90</u>

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1994
 AC# 3-JEH-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 658,618	\$ -	\$ 19,142 (1)	\$ 639,476
Dietary	237,510	-	6,836 (1)	230,674
Laundry	16,827	-	16,827 (1)	-
Housekeeping	55,411	-	11,758 (1)	43,653
Maintenance	88,693	-	71,173 (1)	17,520
Administration & Medical Records	129,005	-	9,498 (1)	119,507
Utilities	97,402	-	76,577 (1)	20,825
Special Services	3,648	664 (1)	-	4,312
Medical Supplies & Oxygen	50,932	1,595 (1)	-	52,527
Taxes & Insurance	10,356	-	1,501 (1)	8,855
Legal Fees	-	1,054 (1)	-	1,054
Cost of Capital	<u>93,532</u>	<u>73,132</u> (2)	<u>33,951</u> (1)	<u>132,713</u>
Subtotal	1,441,934	76,445	247,263	1,271,116
Ancillary	5,134	4,750 (1)	-	9,884
Non-Allowable	<u>(61,788)</u>	<u>63,365</u> (1)	<u>73,132</u> (2)	<u>(71,555)</u>
Total Operating Expenses	<u>\$1,385,280</u>	<u>\$144,560</u>	<u>\$320,395</u>	<u>\$1,209,445</u>

Total Beds 44

Total Patient Days *15,578

*Adjusted to 97% occupancy

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1994
AC# 3-JEH-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Medical Supplies	\$ 1,595	
	Legal	1,054	
	Special Services	664	
	Ancillary	4,750	
	Nonallowable	63,365	
	Other Equity	175,835	
	General Services		\$ 19,142
	Dietary		6,836
	Laundry		16,827
	Housekeeping		11,758
	Maintenance		71,173
	Administration and Medical Records		9,498
	Utilities		76,577
	Taxes and Insurance		1,501
	Cost of Capital		33,951
	To adjust costs to amounts per Blue Cross/Blue Shield settled report HIM-15-1, Section 2300		
2	Cost of Capital	73,132	
	Nonallowable		73,132
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$320,395</u>	<u>\$320,395</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1994
 AC# 3-JEH-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>44</u>
Deemed Asset Value	1,359,116
Improvements Since 1981	88,028
Accumulated Depreciation at 9/30/94	<u>(444,536)</u>
Deemed Depreciated Value	1,002,608
Market Rate of Return	<u>0.072</u>
Total Annual Return	72,188
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	72,188
Depreciation Expense	62,574
Amortization Expense	-
Capital Related Income Offsets	(2,049)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	132,713
Total Patient Days (Minimum 97% Occupancy)	<u>15,578</u>
Cost of Capital Per Diem	\$ <u><u>8.52</u></u>

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
Cost of Capital Reimbursement Analysis
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6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 2.72
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.71</u>
Reimbursable Cost of Capital Per Diem	\$ 6.71
Cost of Capital Per Diem	<u>8.52</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.81)</u>